

**REPORT OF THE AUDIT OF THE
HART COUNTY
CLERK**

**For The Year Ended
December 31, 2009**



**CRIT LUALLEN
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE HART COUNTY CLERK

**For The Year Ended
December 31, 2009**

The Auditor of Public Accounts has completed the Hart County Clerk's audit for the year ended December 31, 2009. Based upon the audit work performed, the financial statement presents fairly in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting.

Financial Condition:

Excess fees decreased by \$8,869 from the prior year, resulting in excess fees of \$54,291 as of December 31, 2009. Revenues decreased by \$106,794 from the prior year and expenditures decreased by \$97,925.

Debt Obligation:

The County Clerk has lease agreements for computer software, hardware, and copiers. Future principal and interest payments of \$106,338 are needed to meet these obligations.

Deposits:

The County Clerk's deposits were insured and collateralized by bank securities.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Terry Martin, Hart County Judge/Executive
The Honorable Lisa Hensley, Hart County Clerk
Members of the Hart County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the County Clerk of Hart County, Kentucky, for the year ended December 31, 2009. This financial statement is the responsibility of the County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the County Clerk for the year ended December 31, 2009, in conformity with the regulatory basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated June 9, 2010 on our consideration of the Hart County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



The Honorable Terry Martin, County Judge/Executive
The Honorable Lisa Hensley, County Clerk
Members of the Hart County Fiscal Court

This report is intended solely for the information and use of the County Clerk and Fiscal Court of Hart County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

June 9, 2010

HART COUNTY
LISA HENSLEY, COUNTY CLERK
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2009

Revenues

State Grants	\$	26,518
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State Fees For Services		63,143
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Fiscal Court		21,014
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Licenses and Taxes:

Motor Vehicle-

Licenses and Transfers	\$	518,555
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Usage Tax		530,671
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Tangible Personal Property Tax		886,650
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Lien Release Fees		8,012
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Web Renewal		314
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Miscellaneous Income		3,257
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Other-

Marriage Licenses		4,615
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Lien Fees		4,009
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Deed Transfer Tax		29,288
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Delinquent Taxes		198,159
		2,183,531

Fees Collected for Services:

Recordings-

Deeds, Easements and Contracts		13,552
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Real Estate Mortgages		28,404
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Chattel Mortgages and Financing Statements		37,445
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Powers of Attorney		1,608
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Affordable Housing Trust		22,494
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Bail Bonds		1,518
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Leases		210
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Releases		7,743
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Wills, Estate Settlements & Accom		712
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All Other Recordings		2,569
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Charges for Other Services-

Copywork		3,303
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Candidate Filing Fees		1,000
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Postage		44
		120,602

The accompanying notes are an integral part of this financial statement.

HART COUNTY
 LISA HENSLEY, COUNTY CLERK
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2009
 (Continued)

Revenues (Continued)

Other-

Fund Donations	\$	62	
Reimbursement on Buyout of Copier Lease		7,152	
Miscellaneous		<u>442</u>	\$ 7,656

Interest Earned			<u>544</u>
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Total Revenues			2,423,008
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Expenditures

Payments to State:

Motor Vehicle-

Licenses and Transfers	\$	353,889	
Usage Tax		514,562	
Tangible Personal Property Tax		333,146	

Licenses, Taxes, and Fees-

Delinquent Tax		21,074	
Legal Process Tax		15,998	
Affordable Housing Trust		<u>22,488</u>	1,261,157

Payments To County:

Tangible Personal Property Tax		78,819	
Delinquent Tax		17,867	
Deed Transfer Tax		<u>27,824</u>	124,510

Payments To Other Districts:

Tangible Personal Property Tax		439,277	
Delinquent Tax		<u>100,300</u>	539,577

Payments To Sheriff			15,302
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Payments to County Attorney			24,361
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The accompanying notes are an integral part of this financial statement.

HART COUNTY
 LISA HENSLEY, COUNTY CLERK
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2009
 (Continued)

Expenditures (Continued)

Operating Expenditures and Capital Outlay:

Personnel Services-			
Deputies Salaries	\$	166,418	
Employee Benefits			
Employer's Share Social Security		16,722	
Employer's Paid Health Insurance		38,693	
Contracted Services-			
Advertising		3,802	
Equipment and Maintenance		17,486	
Supplies and Materials-			
Office Supplies		15,116	
Other Charges-			
Conventions and Travel		1,483	
Dues and Memberships		2,182	
Postage		3,980	
Miscellaneous		805	
Clerk's Insurance & Bonds		562	
Tax Bill Preparation		3,749	
Election Expense		25	
Refunds		1,737	
Bad Debt Expense		1,565	
Capital Outlay-			
Office Equipment		21,751	
Library and Archives Grant-			
Computer Equipment		26,518	\$ 322,594
Total Expenditures			\$ 2,287,501
Net Revenues			135,507
Less: Statutory Maximum			74,088
Excess Fees			61,419
Less: Expense Allowance		3,600	
Training Incentive Benefit		3,528	7,128
Excess Fees Due County for 2009			54,291
Payment to Fiscal Court - February 18, 2010			51,572
Balance Due Fiscal Court at Completion of Audit			\$ 2,719

The accompanying notes are an integral part of this financial statement.

HART COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2009

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the County Clerk as determined by the audit. KRS 64.152 requires the County Clerk to settle excess fees with the fiscal court by March 15 each year.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting, revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive), at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2009 services
- Reimbursements for 2009 activities
- Payments due other governmental entities for December tax and fee collections and payroll
- Payments due vendors for goods or services provided in 2009

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

HART COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2009
(Continued)

Note 2. Employee Retirement System

The county official and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 13.50 percent for the first six months and 16.16 percent for the last six months.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The Hart County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1) (d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the County Clerk's deposits may not be returned. The Hart County Clerk does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of December 31, 2009, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

HART COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2009
(Continued)

Note 4. Grant

In calendar 2008 the Hart County Clerk received a local records microfilming grant from the Kentucky Department for Libraries and Archives in the amount of \$53,036. The beginning balance in the grant account as of January 1, 2009 was \$26,689. During the year, the County Clerk earned \$6 in interest. Funds totaling \$26,695 were expended during the year. The grant balance at December 31, 2009 was \$0.

Note 5. Leases

A. Computer Software

The office of the Hart County Clerk was committed to a lease agreement with Software Management for computer software. This software agreement requires a monthly payment of \$1,225 for 60 months to be completed on October 5, 2013. As of January 1, 2009, the balance of the agreement was \$69,825. During in the year, payments of \$14,700 were made. The total balance of the agreement was \$55,125 as of December 31, 2009.

On June 9, 2009, the Hart County Clerk entered into an additional agreement with Software Management for computer software in the amount of \$24,700. This agreement requires a monthly payment of \$475 for 52 months to be completed on October 5, 2013. During the year, payments of \$2,850 were made. The total balance of the agreement was \$21,850 as of December 31, 2009.

B. Computer Hardware

The office of the Hart County Clerk was committed to a lease agreement with Software Management for computer hardware. This hardware agreement requires an annual payment of \$4,144 for three years and a final payment of \$4,558 to be completed on October 5, 2013. During the year, a payment of \$4,144 was made. The total balance of the agreement was \$12,846 as of December 31, 2009.

On June 9, 2009, the Hart County Clerk entered into an additional agreement with Software Management for computer hardware service in the amount of \$857. This agreement requires an annual payment of \$209 for three years and a final payment of \$230 to be completed on June 8, 2014. The total balance of the agreement was \$857 as of December 31, 2009.

C. Copiers

The office of the Hart County Clerk entered into a lease agreement with IKON for copiers totaling \$17,400. The agreement requires a monthly payment of \$290 for 60 months to be completed on July 17, 2014. The total balance of the agreement was \$15,660 as of December 31, 2009.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Terry Martin, Hart County Judge/Executive
The Honorable Lisa Hensley, Hart County Clerk
Members of the Hart County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the Hart County Clerk for the year ended December 31, 2009, and have issued our report thereon dated June 9, 2010. The County Clerk's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Hart County Clerk's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the County Clerk's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County Clerk's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Hart County Clerk's financial statement for the year ended December 31, 2009, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, the Hart County Fiscal Court, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Crit Luallen', written in a cursive style.

Crit Luallen
Auditor of Public Accounts

June 9, 2010

